

**CITY COUNCIL AGENDA TOPIC**

Resolution authorizing execution of a Predevelopment Agreement and future Ground Lease with BRIDGE Housing for the redevelopment of the City-owned Kelly TOD parcel for affordable housing.

Bianca Siegl, Director, Office of Housing  
Linda Abe, Affordable Housing Planning Manager  
*City Manager's Office*

**EXECUTIVE SUMMARY****ACTION**

This Resolution authorizes the execution of a Predevelopment Agreement and future Ground Lease Agreement with BRIDGE Housing for the redevelopment of the City-owned parcel at 1500 130<sup>th</sup> Avenue NE for affordable housing. The Predevelopment Agreement governs the obligations of the City of Bellevue and BRIDGE Housing during the entitlement and design of the project, identifying specific conditions that must be met prior to closing of the Ground Lease. The Ground Lease will be signed once those conditions are met and will govern the long-term lease of the property.

**RECOMMENDATION**

Move to adopt Resolution No. 10645

**BACKGROUND/ANALYSIS**

The Kelly TOD (“Kelly”) parcel is located adjacent to the BelRed Link light rail station at 1500 130<sup>th</sup> Avenue NE. The parcel is the former Kelly’s Auto Body Shop, composed of 1.15 acres with approximately 33,000 sq. ft of developable area. This parcel was originally purchased by the City of Bellevue in 2020 to support several street improvement projects along the NE Spring Boulevard corridor and ease interim parking concerns related to the redevelopment of the neighboring 130<sup>th</sup> site. In 2022, the Kelly parcel was identified as a suitable surplus property for the development of affordable housing, consistent with the strategy identified in the Comprehensive Plan to “prioritize suitable surplus city land for development of affordable housing, including affordable homeownership” (HO-52) and the 2022-2027 BelRed Arts District Implementation Plan to “advocate for, incentivize, and partner in the creation of new affordable creative space and affordable housing for artists” (CS-3).

On March 10, 2025, the City issued a Request for Qualifications (RFQ) to select a developer to enter into a 99-year ground lease of the Kelly parcel and design, finance, construct, and operate a mixed-use affordable housing development. The project will play a significant role in advancing the city’s affordable housing goals and supporting the vision of the BelRed Arts District.

A six-member evaluation committee comprised of City subject matter experts reviewed the proposals and developer qualifications, ultimately selecting BRIDGE Housing. BRIDGE’s proposal demonstrated their strong development experience, their commitment to maximizing the number of deeply affordable units and family-sized units, and their thoughtful inclusion of artist inclusive amenities and arts-focused partnerships that align with the vision of the BelRed Arts District.

Following the selection of BRIDGE Housing in July 2025, staff entered into negotiations for the eventual long-term ground lease of the property. This has resulted in two key legal agreements for City Council's consideration – a Predevelopment Agreement and Ground Lease Agreement.

**The Predevelopment Agreement** will be executed immediately following council approval and will govern the obligations of the City of Bellevue and BRIDGE Housing during the entitlement and design phase of the project. During this time, BRIDGE will finalize the design of the project, secure entitlements, and acquire additional public and private funding commitments. The Office of Housing will collaborate with Development Services to guide BRIDGE through the permitting process and ensure that final project elements remain consistent with the initial proposal. ARCH will assist the Office of Housing in tracking public funding commitments.

There are four key closing conditions that must be met to satisfy the Predevelopment Agreement and advance the Ground Lease Agreement for final signature:

1. Permitting: BRIDGE must secure all necessary permits and approvals for the construction of the project.
2. Financing: BRIDGE must secure all necessary financing and submit a Financing Plan to be approved by the City Manager, which consists of a detailed budget and copies of all commitment letters, term sheets, or award notifications.
3. Affordable Housing Outcomes: BRIDGE and the City must have agreed on the project's final affordability levels, income targeting, and unit mix.
4. Development Agreement: The BRIDGE proposal requires certain modifications to existing land use regulations that may be authorized in exchange for certain public benefits as part of a Development Agreement.

Once these conditions have been satisfied, BRIDGE and the city will proceed to sign the Ground Lease Agreement, along with a restrictive covenant. The outside date to meet these conditions is June 30, 2029, which is expected to provide BRIDGE the necessary time to obtain permits and to apply for funding under two annual public funding rounds.

**The Ground Lease Agreement** is initially included as an exhibit to the Predevelopment Agreement, with the understanding that it will be signed once all closing conditions are satisfied and that certain elements may be updated prior to closing as design and financing efforts advance. This structure allows BRIDGE to demonstrate site control for funding purposes, while preserving the city's interest in the land until the project is ready to break ground. In exchange for a nominal ground lease rent of \$1 per year, BRIDGE will provide affordable housing for 99 years, after which the city will own all improvements to the site. At signing, the Ground Lease will supersede the Predevelopment Agreement and govern the construction and long-term use of the property. This includes measures regarding maintenance and alterations, leasehold encumbrances, and damages, ultimately ensuring that the city remains aware of and/or involved in major decisions over the entire lease term.

Along with the Ground Lease Agreement, BRIDGE will record a covenant that restricts the use of the land for affordable housing, establishes the final affordability levels and unit requirements, and provides monitoring and enforcement rights to the city.

Neither the Predevelopment nor Ground Lease Agreement commit the city to any additional financial support for the project outside of the below-market rate ground lease.

BRIDGE anticipates applying for the city's Housing Stability Program funding in the upcoming 2026 Funding Round. Any city funding, if awarded, would be governed by separate agreements and covenants tied specifically to the award, separate from the Predevelopment and Ground Lease Agreements. Any future additional funding requests will similarly be outside the scope of these two agreements.

BRIDGE plans to submit an application under the recently approved Public-Private Partnership Development Agreement Pathway, which will come before council for the first time in late summer 2026. It is anticipated the proposed Development Agreement will be consistent with the terms of the Predevelopment Agreement and support project level permit applications.

## **POLICY & FISCAL IMPACTS**

### **Policy Impact**

This redevelopment effort and the associated agreements align with the city's BelRed Subarea Plan and the currently underway BelRed Look Forward LUCA, which will align development regulations with updated policies, including increased housing, job growth, and transit-oriented development. The updates will also refine strategies for affordable housing, street network improvements, daylighting streams, and the BelRed Arts District.

#### Comprehensive Plan Housing Element HO-52.

Prioritize suitable surplus city land for development of affordable housing, including affordable homeownership.

#### 2022 BelRed Arts District Implementation Plan, CS-3.

New Space Strategy - Advocate for, incentivize, and partner in the creation of new affordable creative space and affordable housing for artists with a focus on the 130th Node

### **Fiscal Impact**

This future development will further catalyze the BelRed subarea and result in activity that creates jobs, retains essential workers, and fosters economic activity in ways that support individuals and city revenues. The adopted 2025-2026 General Fund budget supports work on the city's responsibilities in this partnership. Executing these agreements does not obligate the city to any financial support of the project outside of the ground lease. Any additional city funding for the project, including Housing Stability Program funding, will be evaluated separately and at a future date.

## **OPTIONS**

1. Adopt the Resolution authorizing execution of a Predevelopment Agreement and future Ground Lease with BRIDGE Housing for the redevelopment of the City-owned Kelly TOD parcel for affordable housing.
2. Do not adopt the Resolution and provide alternative direction to staff.

## **ATTACHMENTS**

- A. Draft Predevelopment Agreement
  - B. Draft Ground Lease Agreement
  - C. Project and Neighborhood Maps
  - D. Request for Proposals Issued March 10, 2025
- Proposed Resolution No. 10645

## **AVAILABLE IN COUNCIL LIBRARY**

N/A